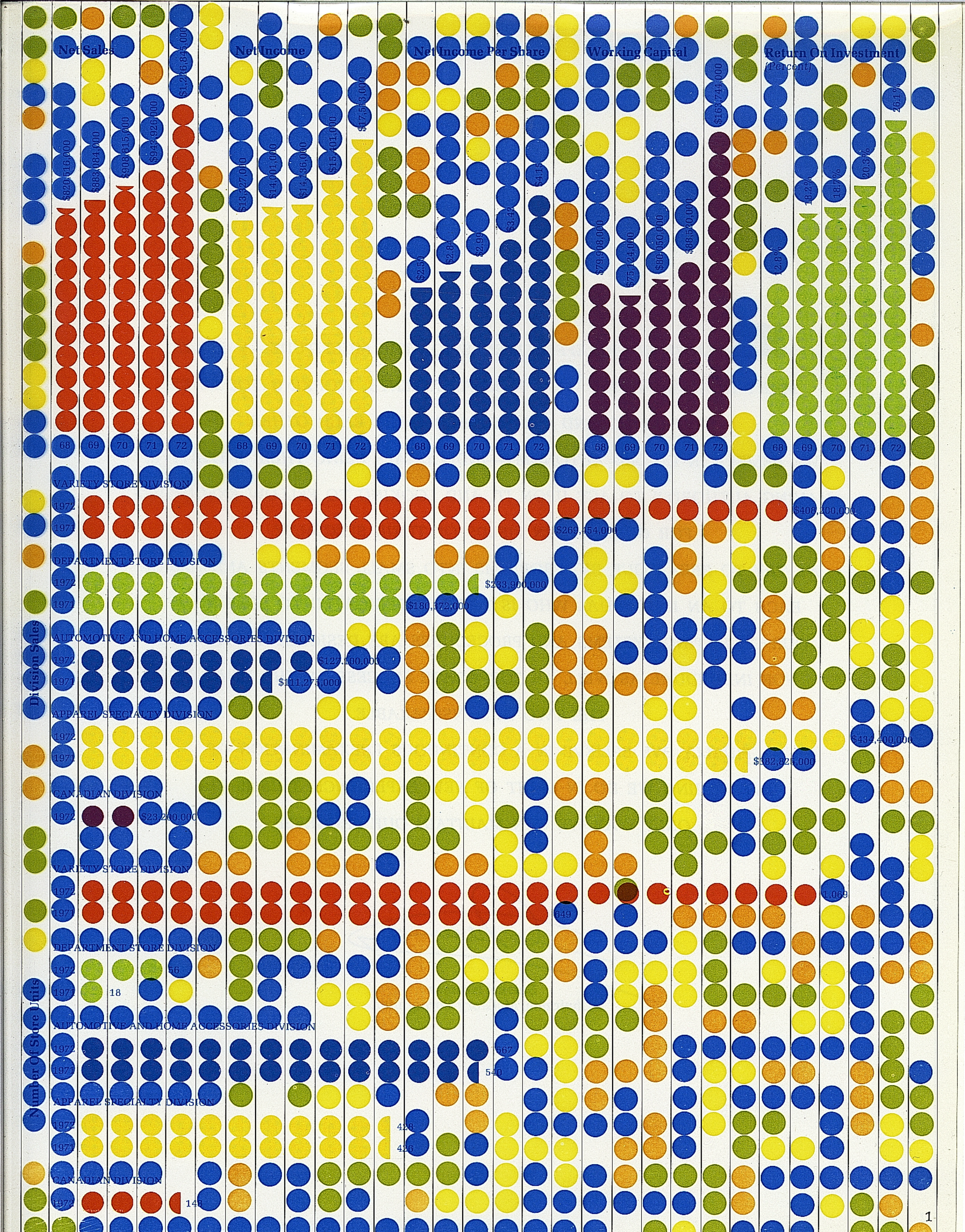
McCrory Corporation 1972 Annual Report

Financial Highlights

	Fiscal 1972	Fiscal 1971
Sales	**$1,226,845,000***	$943,926,000
Net Income	**$ 17,513,000**	$ 15,401,000
Primary Earnings Per Common Share	**$4.15**	$3.43
Fully Diluted Earnings Per Common Share	**$2.89**	$2.34
Cash Dividends Per Common Share	**$1.20**	$1.20

**Includes sales of $200,601,000 of J. J. Newberry Co. from September 1, 1972, the date of acquisition.*



Note: All chart figures include results of J. J. Newberry from September 1, 1972, the date of acquisition.

McCrory Corporation 1972 Annual Report

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Annual Meeting

The Annual Meeting of Stockholders will be held in Auditorium A, The Chase Manhattan Bank, 1 Chase Manhattan Plaza, New York City, on Tuesday, May 22, 1973 at 10:30 a.m., local time. Each stockholder entitled to vote thereat will receive by mail a formal notice and proxy statement and form of proxy, on or about April 30, 1973, at which time proxies will be solicited by order of the Board of Directors.

To Our Stockholders

The past year has been one of great challenge and solid achievement. The challenge involved the integration into our company of J. J. Newberry Co., an old respected retailer. The achievement is reflected in the financial statements included in this report.

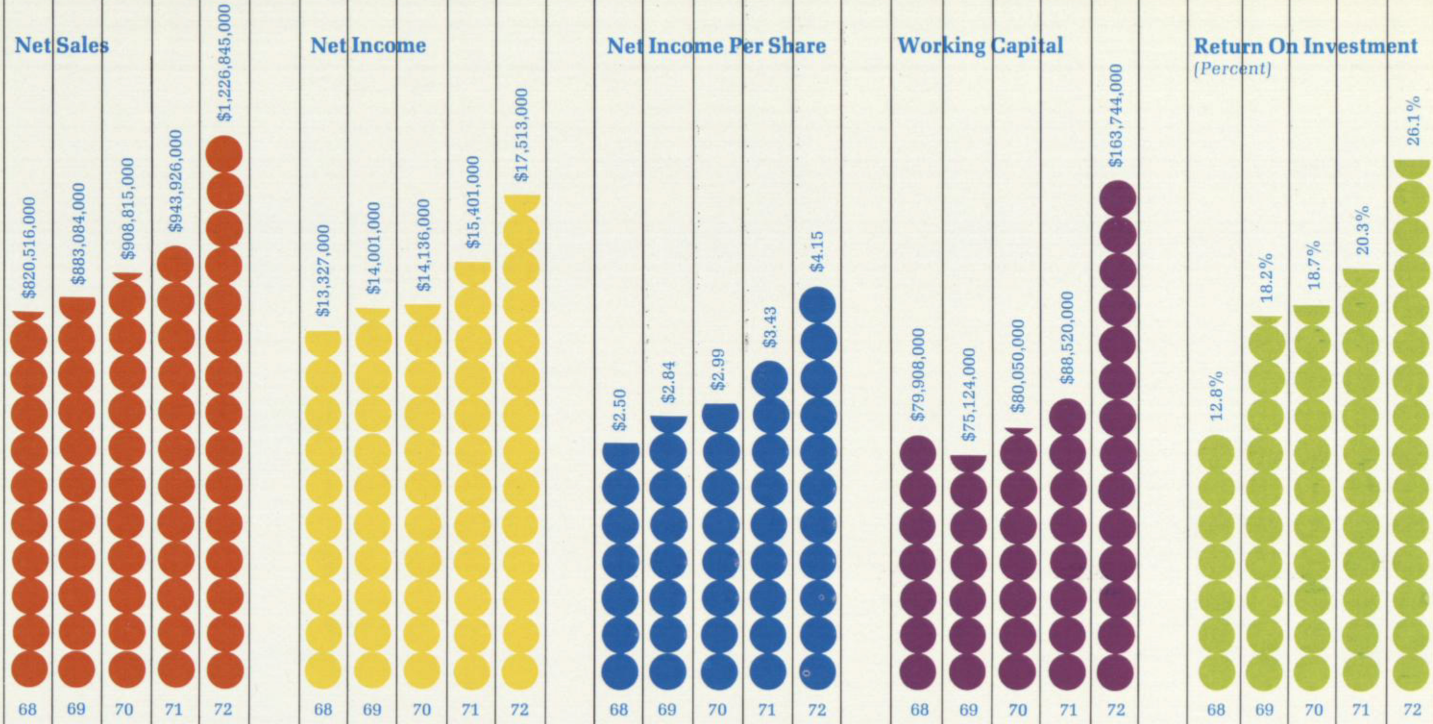
For the ninth consecutive year, earnings increased over the previous year, this time by a healthy 14%. For the first time in our history our sales topped the billion dollar mark. The magnitude of the improvement is most clearly demonstrated by the fact that sales of our continuing operations alone increased by 9% over the previous year, and the inclusion of Newberry's operations from the date of acquisition, September 1, 1972, added another $200,601,000 of sales, for a total increase of 30% over fiscal 1971. We expect our sales for the current year to exceed one and one-half billion dollars.

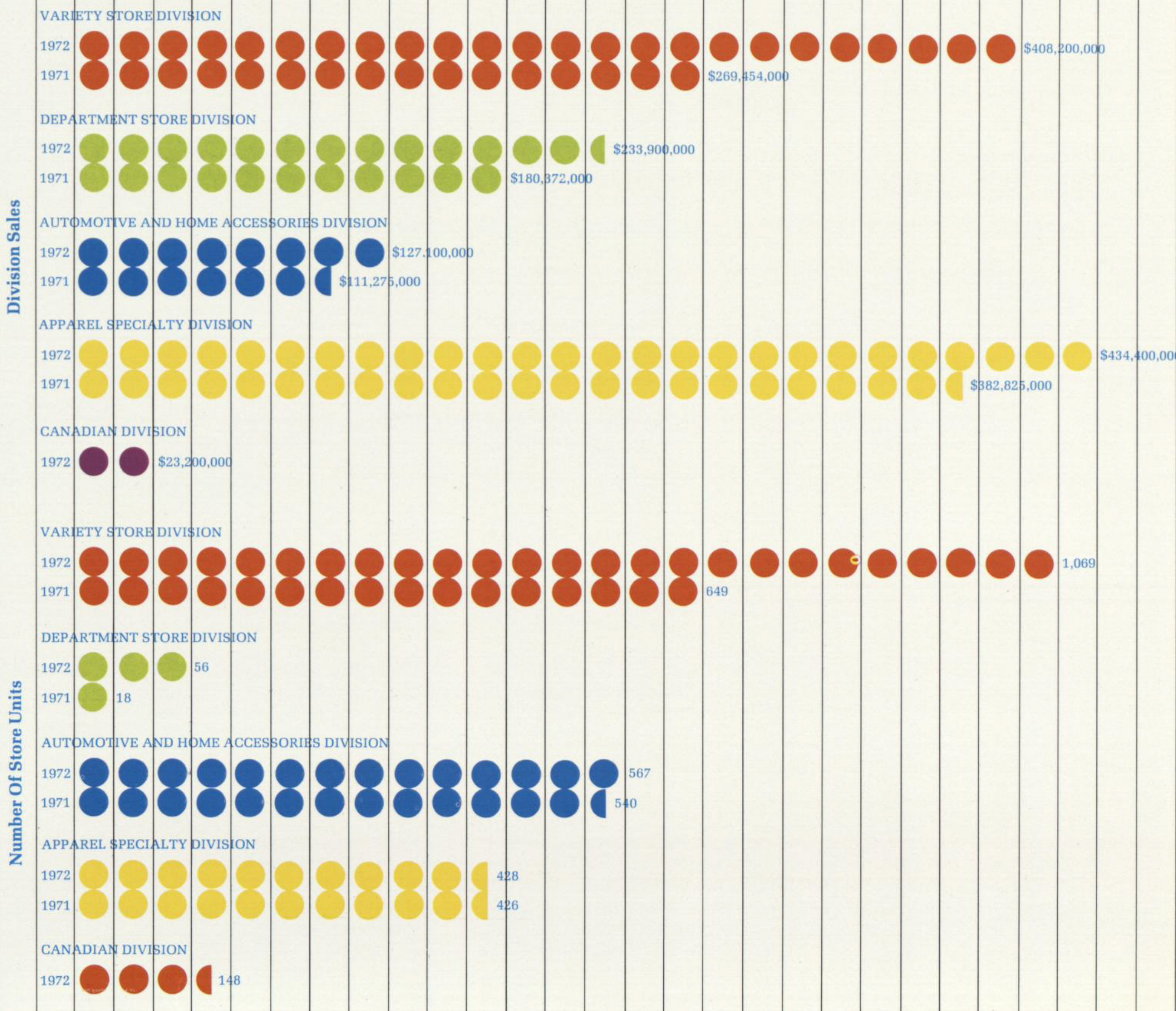
McCrory operates 2,268 stores in 48 states, the District of Columbia, Puerto Rico and Canada, compared with 1,663 stores last year.

In connection with our acquisition of J. J. Newberry Co., which was approved by the overwhelming vote of stockholders of both companies at meetings held on September 1, 1972, we issued 76,792 additional shares of McCrory common stock and $63,716,000 principal amount of McCrory $7^5/_8$% Sinking Fund Debentures, due in 1997. During the final quarter, McCrory issued 1,084,000 shares of additional common stock upon the exercise of a like number of outstanding warrants, in connection with which the Company received $22,000,000 in new capital funds.

The Company has announced its intention to make a cash tender offer of $10 per warrant for all of its approximately 2,150,000 outstanding common stock purchase warrants. The tender will be made as soon as practicable subject to compliance with all applicable regulations. To the extent warrants are tendered potential dilution of earnings will be reduced.

The challenge presented by Newberry has been difficult and complex. Months of planning, countless man hours and dedicated effort have been devoted to blending two large retailers into a cohesive, efficient and productive enterprise. While the job is far from completed, important steps have been taken.





Note: All chart figures include results of J. J. Newberry from September 1, 1972, the date of acquisition.

WE BELIEVE IN THE EFFECTIVENESS OF THE MULTITUDE—A GREAT MANY NORMAL PEOPLE WITH NORMAL TALENTS, WORKING TOGETHER, SUPPORTING AND COMPENSATING FOR EACH OTHER.

WE BELIEVE IN GUIDED AUTONOMY—INDIVIDUALS USING THEIR INITIATIVE, HAVING AUTHORITY TO ACT UPON IT, AND LOOKING TO FELLOW EXECUTIVES FOR GUIDANCE IN FIELDS OF THEIR SPECIALTY.

WE TRY TO BREAK OUR BIG PROBLEMS INTO SMALL SEGMENTS AND ASSIGN EACH TO AN INDIVIDUAL WHO IS TOTALLY DEDICATED TO SOLVING IT.

OUR OPERATING SYSTEMS AND PROCEDURES ARE DESIGNED TO PROVIDE FOR INDIVIDUAL AS WELL AS CORPORATE SUCCESS. IN THE LONG RUN THE TWO ARE INSEPARABLE.

FINALLY, WE BELIEVE IN A CONTINUOUS REEXAMINATION OF EVERYTHING WE DO IN LIGHT OF NEW EXPERIENCE. THIS IS THE ONLY WAY WE CAN MAINTAIN OUR PROGRESS.

Samuel Neaman
Chairman, McCrory Corporation

A careful evaluation and restructuring of our total organization is now in process so as to make the best use of capital assets, of the talents of people, of the systems and procedures of both companies, and to develop new concepts to further the growth of our Company.

The dedication and cooperation of all personnel concerned in this significant effort have permitted the integration of Newberry to proceed with a bare minimum disruption of normal operations. More importantly, it has made possible the achievement of our goal of continued improvement over past performance.

The task of eliminating operations which are unprofitable or otherwise unrelated to our plans for future growth is continuing. To that end, certain of Newberry's prior operations, including its fabric shops, its Maternally Yours shops and several of its small shoe store chains have been sold.

During 1972 we invested $19,750,000 in new stores, new equipment and related facilities; 73 new stores (not including those added through the acquisition of Newberry) were opened and 41 were closed. During the current year our investment for new stores, equipment and other facilities is expected to increase to approximately $22,000,000.

Elsewhere in this report you will find separate discussions of the operations of each of our major retailing areas: Variety Stores, Department Stores, Apparel Specialty Stores and Automotive and Home Accessories Stores. The operating results of the Department Store Division were marginally profitable, while once again the Variety Store Division's operating results improved over the prior year and those of the remaining divisions showed significant improvement.

I believe you will find the section covering Variety Stores of special interest. It describes in some detail the integration of nearly 1,100 McCrory, McLellan, Green and Newberry variety stores into the newly structured G. McNEW Division. The implementation of new concepts that have been developed for purchasing, selection and distribution of merchandise will result in the division providing a new high level of service to the consumer and will generate improved profitability. G. McNEW will become a foundation for our Company's greater market penetration and growth.

On April 11, 1973 an agreement in principle was entered into with our 60% owned subsidiary, Lerner Stores Corporation, providing for a merger whereby Lerner would become a wholly-owned subsidiary of McCrory. The consummation of the merger is subject to the execution of definitive merger agreements and requisite stockholder approval. As soon as practicable you will be furnished with information concerning the details of the proposed merger. This step will further strengthen the financial position of our Company and make more readily available talented personnel with merchandising knowledge.

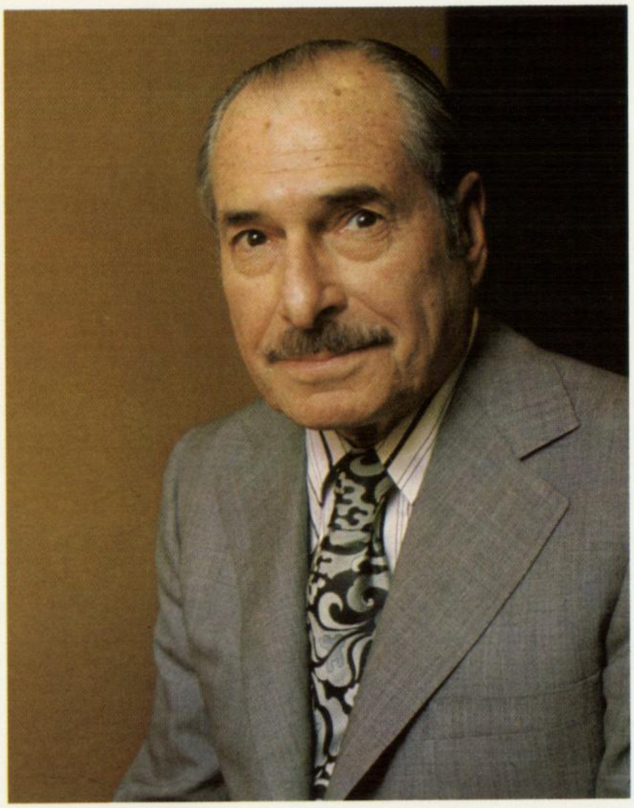
Over the years, our management philosophy has contributed to our success. Now more than ever the "team" effort is proving vital to the efficient integration of our newly acquired operations. I cannot express strongly enough the pride which I take in the effectiveness of our personnel as a group—an effectiveness which moves the Company steadily forward—nor can words do full justice to my appreciation for the continuing dedicated efforts on the part of members of the corporate family contributing to our success. The total commitment of our personnel encourages me to look forward to continued growth in sales and earnings of our company.

Sincerely,

S. Neaman
Chairman of the Board

April 11, 1973

Corporate Officers

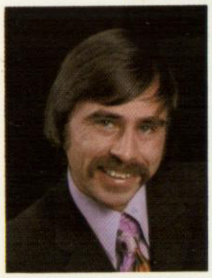


Stanley H. Kunsberg
President & Treasurer

Norman M. Mallor
Financial
Vice President

Stanley B. Bernstein
Vice President—
Administration

Walter C. Straus
Senior Vice President



Irwin Mayer
Vice President
& Controller

Seymour Greene
Secretary

Divisional Officers

VARIETY STORE DIVISION

G. McNEW

DIVISIONAL HEADQUARTERS
YORK, PENNSYLVANIA

President
Frank M. Patchen

Executive Vice President
John F. King

Vice Presidents
Michael Boukis
Marketing (Domestics)
Guy A. Bush
Engineering & Construction
Roger A. Elliott
Director of Manpower
Harold R. Hughes
Administration
Irwin J. Hyman
Real Estate
Paul McClellan
Movement of Goods
Herbert S. Mortensen
Food Services
Kenneth Phillips
Informatics
Philip C. Swingle
Warehousing—Harrisburg, Pa.
Robert S. Taub
Warehousing—York, Pa.
Kermit L. Tully
Marketing (Variety)
Otis W. Wheeler
Head Buyer

Controller
George B. Stephens, Jr.

Assistant to the President
Loren C. Shockley
Director of New York Resident Buying Office

MAC I—PARAMUS, NEW JERSEY

President
John P. Hacala

Vice Presidents
Edward J. Luedtke
Operations
James D. Nowatzki
General Merchandise Manager
Harvey D. Ellsworth
Administration
William H. Jones
Food Services

MAC II—YORK, PENNSYLVANIA

President

Maynard M. Grierson

Vice Presidents

Travis B. Acker
Operations

William R. Tallman
General Merchandise Manager

Arlington E. Baxter
Administration

H. Glenn Privette
Food Services

MAC III—OMAHA, NEBRASKA

President

Richard D. Tucker

Vice Presidents

L. Ray Wise
Operations

Howard A. James
General Merchandise Manager

Harold J. Meyer
Administration

MAC IV—ORLANDO, FLORIDA

Vice Presidents

Newell W. Embley
Operations

Louis P. Johnson
Administration

Edward N. Blair
Food Services

MAC V—DALLAS, TEXAS

President

Kenneth R. Pickard

Vice Presidents

Elson B. Hood
Operations

J. Philip Lux
General Merchandise Manager

Newton S. McBrayer
Administration

MAC VI—LOS ANGELES, CALIFORNIA

President

Farr J. Porter

Vice Presidents

Jack M. Hill
Operations

Robert C. Danielson
General Merchandise Manager

Robert W. Taylor
Administration

DEPARTMENT STORE DIVISION

S. KLEIN

Senior Vice Presidents

Charles Gass
Operations

Ben Litwak
General Merchandise Manager

Vice Presidents

Gilbert Dick
Inventory Management

Stephen Jackel
General Store Manager

John Stanhope
Movement of Goods

Joseph Walker
Counsel & Secretary

Controller

Charles Witz

BRITTS

Vice Presidents

William J. O'Brien
Executive Vice President, Operations

Earle S. Conlon
Vice President, General Store Manager

AUTOMOTIVE AND HOME ACCESSORIES DIVISION

OTASCO

Vice Chairman & Chief Executive Officer

Julius Sanditen

Vice Chairman of Executive Committee

Ely G. Sanditen

President

Abe Brand

Executive Vice Presidents

A. A. McNatt
Edgar Sanditen

Vice Presidents

Irving Fenster
Sales Promotion

Don Mann
Store Operations

Robert Shireman
Associate Dealer Division

John Willis
Data Processing

Robert Behl
Atlanta Division

Secretary

Mark Colburn

APPAREL SPECIALTY DIVISION

LERNER

President & Chief Executive Officer

Harold M. Lane, Jr.

Chairman of the Board & Executive Committee

Harold M. Lane, Sr.

Vice Chairman of the Executive Committee

Stanley H. Kunsberg

Executive Vice Presidents

Eugene Shaw
Karl L. Margolis

Senior Vice President & Treasurer

D. John Palladino

Senior Vice President & Secretary

Nathan B. Epstein

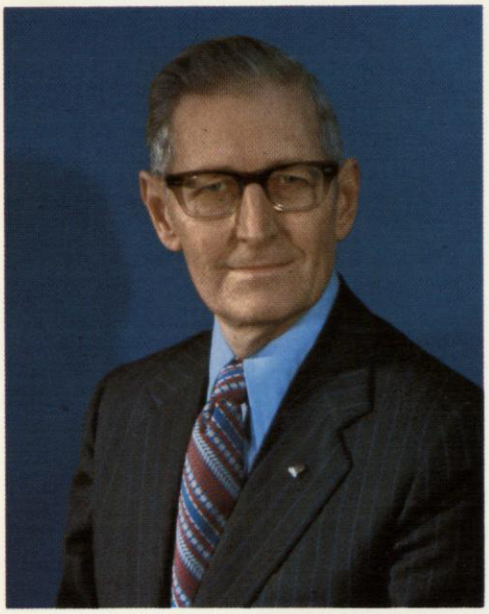
Senior Vice Presidents

Milton Seegal
Melvin J. Redmond
Robert L. Krill
Harold Greene
Arnold Friedman
Marc J. Reiss
David D. Greenwald
Monte A. Wolfson

Vice Presidents

Samuel S. Brand
Abraham D. Sperber
Anne Bergman Weltman
Betty Vitale Duncan
Tully H. Scheiner
Max J. Miller

Variety Store Division



Frank M. Patchen

Maynard M. Grierson

Kenneth R. Pickard

All variety stores of McCrory Corporation are now integrated in a new cohesive operating entity, the G. McNEW Division. This new division has 1,069 stores and 695 restaurants serving customers in 46 states. These stores are operated under the names "McCrory", "McLellan", "H. L. Green" or "J. J. Newberry".

Months of detailed, intricate planning were required to assure that the best elements of each of the prior variety operations would be combined expeditiously into one organization responsive enough to cope with current needs and flexible enough to facilitate continuing growth. To achieve this goal, management groups conducted exhaustive reviews of organization structure, operating policies, systems and procedures, property and equipment and—most importantly—personnel to devise and implement new operational concepts.

G. McNEW, as it has been established, consists of six Store Operating Companies, separate buying groups and divisional support functions.

Each Store Operating Company covers a region of the United States. Each is managed autonomously by a president with overall sales and profit responsibility, and by vice presidents in charge of Store Operations, Administration, Merchandising and Food Service. Merchandise managers and planners in each company determine merchandise quantities and mix for each store.

Buying at G. McNEW is divided into the broad groupings of Apparel and Variety. The Apparel Buying Group is divided into the Fashion Section with distribution from Jersey City, N.J., and the Seasonal and Staple Section located in Harrisburg, Pa. The Variety Buying Group, headquartered in York, Pa., consists of the Hard Lines, Domestic, and Leisure Lines Sections. Buying for the West Coast stores is done out of a general buying section located in Los Angeles, California.

The authority for buying merchandise rests solely with the buyers of each Buying Group. Departments are divided into smaller areas for more specialized buying attention.

Movement of goods activity has also been reorganized. Specialty warehouses in York and Harrisburg, Pa. and in Jersey City, N.J. are connected with distribution centers in Atlanta, Georgia; Dallas, Texas; Omaha, Nebraska and Los Angeles, California by truck fleet. In addition, throughout the country relay stations of lesser size are being opened to improve the control of merchandise flow from the manufacturers to individual stores.

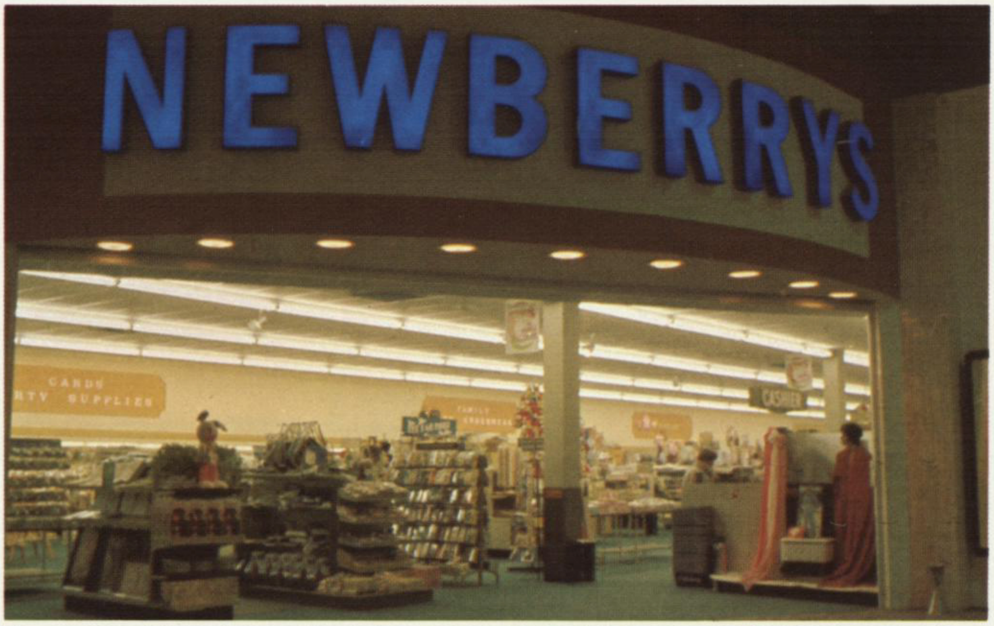
Communications and training have been vital elements in the beginnings of G. McNEW. All personnel have been exposed to new techniques and processes through audio tape cassettes and accompanying printed material, all of which were prepared by G. McNEW's Education and Training and Presentations Departments.

Sales of the Variety Store Division for the fiscal year amounted to $408,229,000 compared with $269,454,000 in the prior year. Pretax earnings increased 22% to $22.5 million. In 1973 the division's expenditures for major capital items will approximate $9 million and include the opening of 18 new stores.

John P. Hacala

Richard D. Tucker

Farr J. Porter



The Variety Division's new stores such as those in Wheatfield, N.Y. and Tallahassee, Fla. occupy prominent locations in modern enclosed mall shopping centers.

Department Store Division

The Department Store Division covers a broad range of merchandise, service and geographic area. The two principal operating groups within this division are S. Klein Department Stores, 19 full line promotional stores concentrated in the middle Atlantic states; and Britts Department Stores, 37 full line department stores stressing quality, style, fashion and consumer service. The Britts stores, located principally in the eastern and southeastern states, became part of McCrory Corporation as a result of the acquisition of J. J. Newberry Co. in September 1972.

Britts carries fine quality, well known brands of family wearing apparel, accessories, jewelry, cosmetics and fragrances in addition to complete assortments of better quality housewares, domestics, gifts, sporting goods, furniture and appliances. Better quality non-branded merchandise and name brand specials are used in support of the company's continuous emphasis on promotion within each department, consistent with the Britts fashion image. The design, fixturing and staffing of all Britts stores are aimed at creating the most pleasant shopping atmosphere for a maximum of customer service and convenience.

Britts expanded in late 1972 with a modern 99,000 square foot store in West Ft. Lauderdale, Florida. The Britts expansion program has carried over into the current year. In March of 1973, following the close of the fiscal year, Britts opened its newest unit, a 60,000 square foot store in the Fashion Mall, Paramus, New Jersey.

S. Klein also expanded in 1972 with the opening of three new stores. Early in the year, two 90,000 square foot single-story stores were acquired from another retailing organization, remodeled and opened under the S. Klein banner. Both stores are located in the metropolitan Philadelphia area, increasing S. Klein market penetration of that area.

In the summer of 1972, S. Klein opened its newest and most dramatic store to date, a new 150,000 square foot store in East Brunswick, N.J. The new East Brunswick store was created from the ground up to utilize new systems, new procedures—all emphasizing more prominent display of merchandise and easier flow of both goods and customers. This store incorporates an entire new generation of fixtures pioneered by the S. Klein organization to maximize selling area and reduce cost of merchandise handling.

Sales of the Department Store Division totalled $233,918,000 for the year, up from $180,372,000 for fiscal 1971, while pre-tax profit amounted to $231,000 as compared with $123,000 for the previous year.

Ben Litwak

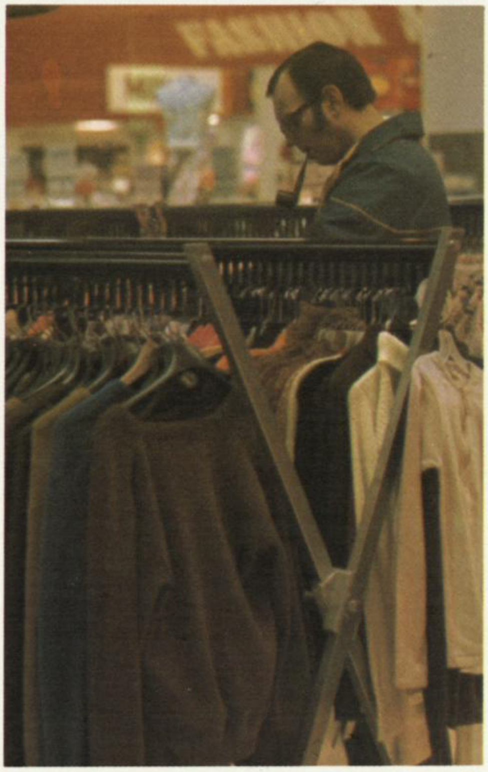
Charles Gass

Gilbert Dick

William J. O'Brien

Stephen Jackel

Earle S. Conlon



The newest S. Klein store in East Brunswick, N.J. offers fashion merchandise and value in pleasant surroundings. Consumers in the Annapolis, Md. area enjoy the Britts store which features brand name fashion apparel and a high level of customer service.

Automotive and Home Accessories Division

The Automotive and Home Accessories Division, OTASCO, has expanded over the last 55 years throughout the south and south-western states with a continuing record of improved sales, earnings and customer satisfaction. OTASCO again reached new records with significant increases in all of its major merchandise lines. Sales increased 14% to $127,115,000 and its pre-tax profits amounted to $10,690,000, a 14% increase over the previous year.

In 1972, OTASCO opened 27 new company and dealer franchised stores to bring the total number of stores at year end to 567. During the course of the year, 29 stores were remodeled or relocated.

The burgeoning auto population in the market areas served by OTASCO has caused the division to place greater emphasis on the sale and installation of replacement auto parts. Such parts as tune-up kits, mufflers, shock absorbers, batteries and tires are in ever-increasing demand. Similarly, home building activity has contributed to OTASCO's growth through sale of home appliances and fixtures. A third major area of growth has been the outdoor recreational market, and OTASCO specializes in sporting goods, camping and hunting equipment.

Looking ahead, OTASCO in 1973 plans to open 35 new stores and has 30 stores scheduled for modernization. During this year, the division will put its new Buyer's Information System on line. This computer-based system furnishes up-to-date information for buying, inventory control and a host of other statistical services to increase the division's efficiency.

Sales training continues as an important facet of OTASCO's operation. A close monitoring of the division's growth has indicated to management that customers show strong preference for OTASCO's emphasis on personal service. Highly trained sales personnel are the key element in OTASCO's customer service program.

The combined efforts of personal selling, expanded and modernized stores and broadened and strengthened merchandise lines contribute to management's optimistic view of the division's future.

Julius Sanditen

Abe Brand

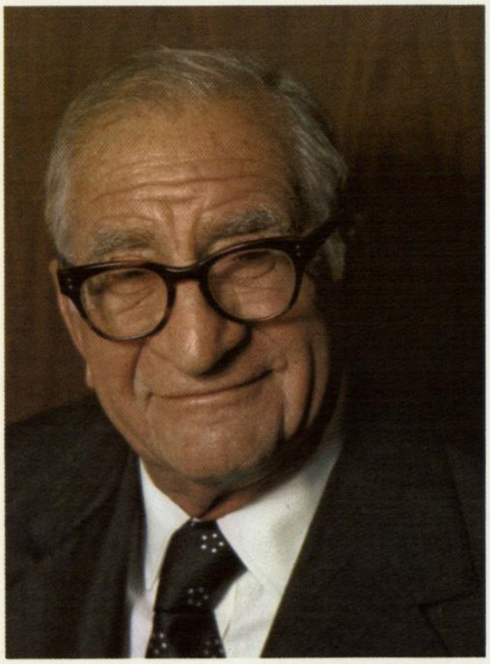
Edgar Sanditen

Ely G. Sanditen

A. A. McNatt

Consumers throughout the south and southwest, as those pictured here in Tulsa, Okla., depend upon OTASCO for service and quality in automotive parts, housewares, sporting goods and hardware.

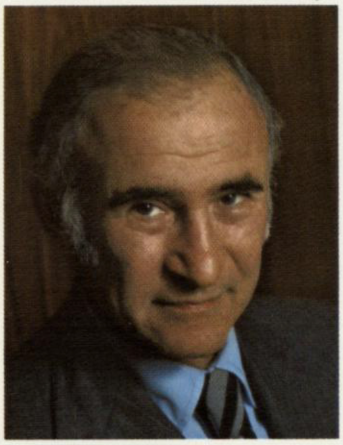
Apparel Specialty Division


Harold M. Lane, Sr.


Eugene Shaw

Lerner Shops achieved another record year in fiscal 1972. Both sales and earnings for the year reached new, all-time high levels, once again underlining the strength of the Lerner Shops concept and organization.

During the year, Lerner Shops opened 13 new units, all of them in regional, closed-mall shopping centers. Eleven stores were closed during 1972, bringing the total number of Lerner Shops in operation at year end to 428. During the course of the year, 38 stores were modernized and improved, continuing Lerner's policy of maintaining peak efficiency and maximum consumer appeal. Plans for 1973 include the opening of 22 to 24 Lerner Shops—with primary emphasis continuing in major suburban shopping centers.

Harold M. Lane, Jr.



Karl L. Margolis


D. John Palladino

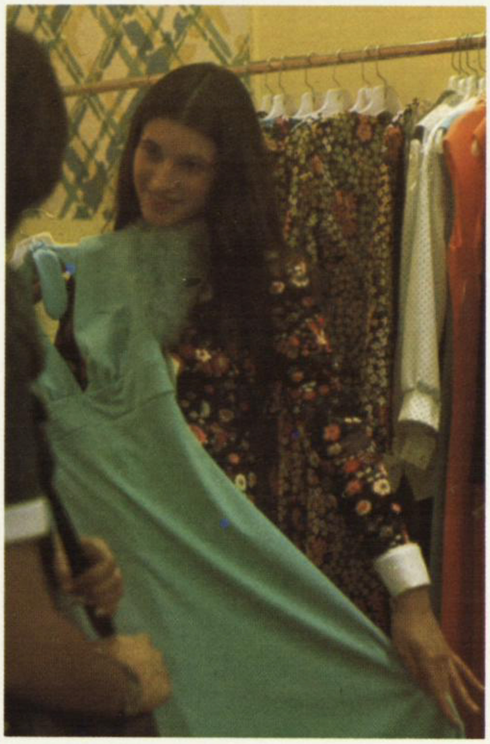
Lerner Shops has, throughout the years, developed a reputation for its commitment to fashion. Its highly talented buying and merchandising personnel spot trends and work closely with suppliers to have the most up-to-date merchandise in the stores when and where customers want it.

The system which supports this successful operation includes branch offices and distribution centers throughout the country. This permits prompt reaction to local fashion trends and also allows centralized management supervision of Lerner Shops throughout the country. The entire organization is geared to keep each Lerner Shop in the mainstream of fashion.

Lerner Shops are operated by Lerner Stores Corporation, a 60 per cent-owned subsidiary of McCrory Corporation. On April 11, 1973, Lerner Stores Corporation entered into an agreement in principle providing for a merger whereby Lerner would become a wholly-owned subsidiary of McCrory.

Total sales of Lerner in 1972 totaled $434,384,861, an increase of 13.5%. Net income amounted to $21,195,971, an increase of 26.7% over the previous year.

(Copies of the Lerner Stores annual report are available upon request to Lerner Stores Corporation, 460 W. 33rd Street, New York, N.Y. 10001).



Lerner Shops' outstanding displays and merchandise attract shoppers in modern mall shopping centers such as shown here in Livingston, N.J.

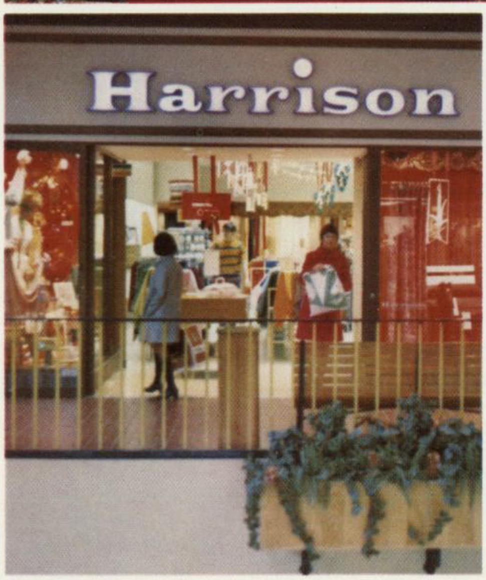
Canadian Division

The Canadian Division includes both retailing and manufacturing operations.

The 148 retail stores in Canada include 27 United Stores, medium sized variety stores offering a general range of merchandise; 4 Britts Department Stores which conduct substantially the same type of operation as the Britts Department Stores in the United States; 78 Sweet Sixteen Stores, women's specialty shops carrying better wearing apparel, sportswear and accessories; 26 Harrison's Stores, offering a wide range of bolt cloth and fabrics for use in making clothing, draperies and the like, as well as a curtain drapery and upholstery service; and 13 Columbia Stores, small stores of the "general store" type, carrying a wide range of clothing and household items, but not groceries, located primarily in rural areas along Canada's Western Coast.

Gault Brothers, a manufacturing arm of the Canadian operations, manufactures a line of hospital supplies, including sheets and pillowcases. Gault also manufactures under the Caribou label a popular and growing line of leisure wear, including slacks and jackets.

Sales were $23,198,000 from date of acquisition to year end. Profit before tax for the period was $635,000.



This division is well represented with stores throughout Canada emphasizing fashion, quality and value.

Five-Year Financial Summary

	1972[1]	1971	1970	1969	1968
Operations					
Net sales[2]	$1,226,845,000	$943,926,000	$908,815,000	$883,084,000	$820,516,000
Operating income[3]	63,831,000	53,303,000	52,288,000	52,801,000	43,183,000
Net income before Federal income taxes	44,830,000	38,585,000	35,812,000	37,482,000	30,695,000
Federal income taxes	18,711,000	16,415,000	15,593,000	17,506,000	14,065,000
Net income[4]	17,513,000	15,401,000	14,136,000	14,001,000	12,459,000
Capital expenditures	19,751,000	16,741,000	26,213,000	25,838,000	18,907,000
Depreciation and amortization	13,026,000	11,714,000	10,744,000	9,813,000	8,860,000
End of Year Financial Position					
Working capital	$ 163,744,000	$ 88,520,000	$ 80,050,000	$ 75,124,000	$ 79,908,000
Current ratio	2.1	2.0	2.0	1.9	2.1
Property and equipment—net	$ 141,808,000	$111,823,000	$112,882,000	$101,287,000	$ 86,799,000
Long-term debt[5]	$ 186,863,000	$123,909,000	$123,783,000	$120,398,000	$ 87,444,000
Stockholders' equity	$ 98,950,000	$ 63,881,000	$ 85,194,000	$ 76,724,000	$114,888,000
Return on average stockholders' equity	26.1%	20.3%	18.7%	18.2%	12.8%
Data Per Common Share					
Primary earnings	$ 4.15	$ 3.43	$ 2.99	$ 2.84	$ 2.50
Average shares outstanding	3,988,000	4,247,000	4,437,000	4,620,000	4,964,000
Fully diluted earnings	$ 2.89	$ 2.34	$ 2.43	$ 1.91	$ 1.62
Shares outstanding at year-end	5,035,000	3,807,000	4,463,000	4,393,000	5,187,000
Book value	$16.24	$12.27	$15.23	$13.37	$18.56
Dividends paid	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20
Other Data					
Number of stores—year end	2,268	1,633	1,575	1,528	1,457
Square feet of store space	29,160,000	18,329,000	17,657,000	16,941,000	16,014,000
Number of employees	65,000	39,000	39,000	39,000	42,000
Number of common stockholders	15,300	14,800	15,500	15,200	18,500

1 *Includes J. J. Newberry Co. from date of acquisition, September 1, 1972.*
2 *From continuing operations.*
3 *Excludes interest and debt expense, Federal income taxes, minority interest, discontinued operations and extraordinary items.*
4 *Includes discontinued operations but excludes extraordinary items.*
5 *Net of debt discount.*

Financial Statements

Consolidated Statement of Income

Year Ended January 31	1973	1972
Revenues:		
Sales	$1,226,845,256	$943,925,935
Other—net	2,686,329	2,072,262
	1,229,531,585	945,998,197
Costs and Expenses:		
Cost of goods sold	881,828,181	678,863,527
Selling, general and administrative expenses	270,846,115	202,116,806
Interest and debt expense	19,001,035	14,718,047
Depreciation and amortization	13,026,222	11,714,389
Federal income taxes	18,711,400	16,415,000
Income applicable to minority interest	8,605,840	6,769,037
	1,212,018,793	930,596,806
Net Income	17,512,792	15,401,391
Consolidated preferred dividend requirements	959,327	851,453
Earnings Applicable to Common Stock	$ 16,553,465	$ 14,549,938
Earnings Per Share of Common Stock:		
Primary	$4.15	$3.43
Fully diluted	$2.89	$2.34

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

ASSETS — January 31	1973	1972
Current Assets:		
Cash (including certificates of deposit)	$ 51,524,858	$ 28,580,833
Receivables, less allowances ($2,067,939 and $2,200,829)	17,024,550	9,232,484
Merchandise inventories	236,475,593	131,360,749
Prepaid expenses, etc.	9,396,364	5,677,631
Total Current Assets	314,421,365	174,851,697
Investments in and Advances to:		
Rapid-American Corporation, at cost	3,620,965	3,620,965
McCrory Credit Corporation, at equity	14,369,245	12,858,371
	17,990,210	16,479,336
Property and Equipment	338,298,945	236,461,663
Less accumulated depreciation and amortization	196,491,184	124,638,963
	141,807,761	111,822,700
Other Assets:		
Excess of cost of investments over related equities	20,627,148	20,627,148
Long-term receivable	7,132,364	7,406,106
Sundry	13,435,663	8,455,302
	41,195,175	36,488,556
	$515,414,511	$339,642,289

See Notes to Consolidated Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

January 31	1973	1972
Current Liabilities:		
Bank loans	$ 7,102,082	
Current maturities of long-term debt	2,003,040	$ 455,804
Accounts payable	70,017,570	35,945,826
Accrued expenses and sundry	51,140,687	33,449,916
Federal income taxes:		
Current	8,985,111	8,466,927
Deferred	8,929,000	8,014,000
Reserve for store closing programs	2,500,000	—
Total Current Liabilities	150,677,490	86,332,473
Long-Term Debt	186,862,912	123,908,885
Deferred Income Taxes	17,402,945	27,982,740
Reserve for Store Closing Programs	12,355,203	—
Other Long-Term Liabilities	9,355,963	5,610,202
Minority Interest in Subsidiaries	39,809,886	31,926,974
Stockholders' Equity:		
Preferred and preference stocks	15,743,900	15,754,200
Common stock, $.50 par value, authorized 15,000,000 shares	4,199,917	3,639,778
Additional paid-in capital	99,615,782	76,917,868
Retained earnings	100,250,000	88,731,296
Less common stock in treasury and equity of $9,634,212 and $6,386,242 in subsidiary's cost of its treasury stock	(120,859,487)	(121,162,127)
	98,950,112	63,881,015
	$515,414,511	$339,642,289

See Notes to Consolidated Financial Statements.

Consolidated Statement of Stockholders' Equity

For the Two Years Ended January 31, 1973

	Preferred and Preference Stocks	Common Stock Issued Shares	Common Stock Issued Par Value	Additional Paid-In Capital	Retained Earnings	Common Stock in Treasury Shares	Common Stock in Treasury Cost
Balance February 1, 1971	$15,799,900	7,113,955	$3,556,977	$73,363,554	$ 79,985,309	2,650,926	$ 87,511,732
Add (Deduct):							
Common stock issued:							
Conversion of 457 shares of preferred stock	(45,700)	2,285	1,143	44,557			
Exercise of 1,943 warrants		1,943	971	37,888			
Exercise of stock options					(636,881)	(56,499)	(1,748,135)
Conversion of $4,034,698 principal amount of 6½% convertible subordinated debentures, due 1992		161,374	80,687	3,748,149			
Employee service awards						(435)	(8,755)
Common stock acquired under tender offer						865,624	35,461,895
Common stock repurchased under stock bonus plan						12,477	356,451
Net income					15,401,391		
Dividends:							
Preferred and preference stock					(851,453)		
Common stock ($1.20 per share)					(5,167,070)		
Equity in certain transactions of subsidiary				(276,280)			(411,061)
Balance January 31, 1972	**$15,754,200**	**7,279,557**	**$3,639,778**	**$76,917,868**	**$ 88,731,296**	**3,472,093**	**$121,162,127**
Common stock issued:							
Conversion of 103 shares of preferred stock	**(10,300)**	**515**	**258**	**10,042**			
Exercise of 1,084,237 warrants		**1,084,237**	**542,118**	**21,142,622**			
Exercise of stock options					**(358,457)**	**(31,331)**	**(1,035,671)**
Conversion of $913,942 principal amount of 6½% convertible subordinated debentures, due 1992		**35,525**	**17,763**	**849,573**			
Acquisition of Newberry				**(848,951)**		**(76,792)**	**(2,538,375)**
Employee service awards					**(4,216)**	**(475)**	**(15,701)**
Common stock repurchased under stock bonus plan						**1,400**	**39,137**
Net income					**17,512,792**		
Dividends:							
Preferred and preference stock					**(850,658)**		
Common stock ($1.20 per share)					**(4,672,088)**		
Equity in certain transactions of subsidiaries				**1,544,628**	**(108,669)**		**3,247,970**
Balance January 31, 1973	**$15,743,900**	**8,399,834**	**$4,199,917**	**$99,615,782**	**$100,250,000**	**3,364,895**	**$120,859,487**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

Year Ended January 31	1973	1972
Source of Funds		
Operations:		
Net income	$ 17,512,792	$ 15,401,391
Charges not requiring current outlays:		
Depreciation and amortization	13,026,222	11,714,389
Deferred income taxes	485,000	789,000
Debt expense	1,178,886	809,237
Stock bonus plan expense	633,361	551,465
Income applicable to minority interest, less cash dividends of $1,463,808 and $1,395,503	7,142,032	5,373,534
	39,978,293	34,639,016
Acquisition of Newberry	51,274,000	—
Proceeds on exercise of options and warrants	23,164,865	3,658,969
Debentures converted into common stock	913,942	4,034,698
Debentures issued in tender offer	—	7,790,625
Cost of investments exchanged in tender offer	—	24,208,775
Property and equipment disposals	2,264,748	6,133,639
	$117,595,848	$ 80,465,722
Application of Funds		
Additions to property and equipment	$ 19,751,027	$ 16,740,959
Dividends paid	5,631,415	6,018,523
Acquisition of 127,714 shares of Lerner and 865,624 shares of McCrory common stock, respectively, in tender offers	5,533,929	35,461,895
Payment of deferred income taxes	7,702,878	4,809,847
Conversion of debentures	913,942	4,034,698
Payments of long-term debt	1,481,360	4,598,654
Advance to McCrory Credit Corporation	1,000,000	—
Net non-current assets of Newberry acquired	116,093*	—
Other—net	240,553	331,472
Increase in working capital	75,224,651	8,469,674
	$117,595,848	$ 80,465,722
Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash	$ 22,944,025	$ 8,708,715
Investment in Rapid debentures	—	(3,457,295)
Receivables—net	7,792,066	(347,248)
Merchandise inventories	105,114,844	11,023,922
Prepaid expenses, etc.	3,718,733	300,775
	139,569,668	16,228,869
Increase (decrease) in current liabilities:		
Bank loans	7,102,082	—
Current maturities of long-term debt	1,547,236	(336,734)
Accounts payable	34,071,744	270,166
Accrued expenses and sundry	17,690,771	1,097,127
Federal income taxes	1,433,184	6,728,636
Reserve for store closing programs	2,500,000	—
	64,345,017	7,759,195
Increase in working capital	$ 75,224,651	$ 8,469,674

**Assets of $33,401,100 (principally property and equipment—$25,511,456) less liabilities of $33,285,007 (principally long term debt—$14,694,522 and reserve for store closing programs—$12,575,632)*

See Notes to Consolidated Financial Statements.

Consolidated Long-Term Debt

	Interest Rate Stated	Interest Rate Effective	January 31 1973	January 31 1972
Notes payable to banks under Revolving Credit Agreement (a)			$ 20,300,000	$ 20,300,000
Sinking fund notes, due May 15, 1976 (b)	3¾%	3¾%	3,500,000	—
Sinking fund subordinated debentures, due August 15, 1976 (c)	5½	6⁶⁄₁₀	11,356,880	11,356,880
Junior sinking fund subordinated debentures, due July 15, 1981 (d)	5	5	11,810,450	11,810,450
Subordinated notes, payable $1,033,000 annually to October 1, 1981	5¼	5¼	8,269,000	—
Sinking fund subordinated debentures, due September 1, 1982 (e)	6½	8⁷⁄₁₀	9,122,595	9,323,092
Sinking fund subordinated debentures, due August 15, 1985 (f)	10½	11³⁄₁₀	11,830,760	11,830,760
Convertible subordinated debentures, due February 15, 1992 (g)	6½	6⁹⁄₁₀	3,381,067	4,295,009
Sinking fund subordinated debentures, due May 15, 1994 (h)	7½	9½	70,387,500	70,387,500
Convertible subordinated debentures, due August 1, 1994 (i)	6½	6½	1,285,000	—
Sinking fund subordinated debentures, due December 15, 1997 (j)	7⅝	9⁸⁄₁₀	63,715,510	—
Sundry			2,081,789	1,688,726
			217,040,551	140,992,417
Less unamortized discount			30,177,639	17,083,532
			$186,862,912	$123,908,885

(a) 90 day promissory notes with interest at current prime rate (6% at January 31, 1973) renewable at the option of McCrory at each maturity date to June 30, 1974. It is McCrory's present intention to renew these notes until June 30, 1974.

(b) Sinking fund payments in the amount of $500,000 required annually through 1975.

(c) All sinking fund requirements have been met.

(d) Exclusive of $274,561 and $534,171 at January 31, 1973 and 1972, respectively, which have been reacquired and are available for sinking fund payments. Annual sinking fund requirements are $649,025 commencing in 1975.

(e) Sinking fund requirements in each year based on original principal amount issued are as follows: 1974-1976 (3%), 1977-1979 (4%), and 1980-1981 (5%).

(f) Sinking fund payments in the amount of $591,538 required annually commencing in 1974.

(g) Convertible into McCrory common stock at the option of the holder at the conversion price of $30 principal amount of debentures per share to and including February 14, 1977 and $35 thereafter.

(h) Required annual sinking fund payments commence in 1981.

(i) Convertible into Newberry common stock at the option of the holder at the conversion price of $30 principal amount of debentures per share.

(j) Required annual sinking fund payments commence in 1984.

Notes to Consolidated Financial Statements

Accounting Policies

Significant accounting policies of McCrory are as follows:

The accounts of all subsidiaries except McCrory Credit Corporation, which is carried on the equity basis, are included in the consolidated financial statements. Accounts of Canadian subsidiaries are translated at appropriate exchange rates.

Inventories are stated at the lower of cost (principally retail method) or market.

Property and equipment is stated at cost. Depreciation and amortization is computed generally on the straight line method based on the estimated service lives of the assets.

The excess of cost of investments in subsidiaries over the recorded equities of the subsidiaries is not amortized unless there is a permanent decline in value of the related investments.

The flow-through method of accounting is used for investment tax credits.

The companies provide for and fund pension costs each year in an amount equivalent to the actuarially computed current service cost plus amortization of past service cost over a period not exceeding 30 years.

Accounts Receivable and McCrory Credit Corporation

McCrory and some of its affiliates have agreements with McCrory Credit Corporation under which certain customers' accounts receivable are assigned to the credit company and the credit company remits amounts equal to 90% of the amounts assigned, withholding 10% of the uncollected balances, representing the companies' equity therein. Under the agreements, the companies accept reassignment of any accounts in default. The 10% equity of McCrory and subsidiaries in assigned accounts receivable (the uncollected accounts receivable balances amount to $66,447,000 and $56,795,000 at January 31, 1973 and 1972, respectively) is included in receivables in the consolidated balance sheet. Collections in January (payable to McCrory Credit in February) from assigned customers' accounts (net of 10% equity) amounting to $15,629,000 and $13,646,000, respectively, have been deducted from receivables in the consolidated balance sheet. McCrory Credit Corporation's condensed consolidated balance sheet at January 31, 1973 is summarized below:

Accounts receivable, less unearned discount	$74,255,669
Cash	11,362,457
Other assets, less other liabilities	201,119
	$85,819,245
Notes payable to banks	$71,450,000
Notes payable to McCrory and subsidiary	9,000,000
McCrory's equity	5,369,245
	$85,819,245

Net income of McCrory Credit Corporation for the years ended January 31, 1973 and 1972 of $510,874 and $385,061, respectively, is included in consolidated net income.

Merchandise Inventories

	1973	1972
Merchandise at stores and warehouses:		
At retail method	**$166,555,736**	$ 84,846,710
At first-in, first-out cost	**33,953,198**	27,995,165
Merchandise in transit, at warehouses and at restaurants—at identified cost	**35,966,659**	18,518,874
	$236,475,593	$131,360,749

Investments in Consolidated Subsidiaries

As of September 1, 1972, McCrory acquired all of the then outstanding common stock of J. J. Newberry Co. for an aggregate purchase price of $51,274,000, consisting of 76,792 shares of McCrory common stock and $63,716,000 principal amount (discounted value $49,485,000) of new McCrory 7⅝% sinking fund subordinated debentures due December 15, 1997. This acquisition has been accounted for as a purchase transaction. Accordingly, Newberry's accounts are included in the consolidated financial statements from the date of acquisition.

McCrory's cost of its investment in Newberry is $23,262,000 less than Newberry's net tangible assets at date of acquisition, which amount has been attributed entirely to Newberry's property and equipment in the consolidated balance sheet and is being amortized over the estimated remaining useful life of 10 years. Pro forma combined sales and income from continuing operations for the years ended January 31, 1973 and (unaudited) 1972, computed as if the acquisition had taken place February 1, 1971, is shown below. This information is not necessarily indicative of the results of continuing operations as they would have been if the acquisition had actually taken place February 1, 1971.

	1973	1972
Net sales	**$1,441,465,000**	$1,355,779,000
Income before extraordinary items	**15,416,000**	15,073,000
Net income	**15,416,000**	9,198,000
Primary earnings per share:		
Income before extraordinary items	**3.53**	3.21
Net income	**3.53**	1.85
Fully diluted earnings per share:		
Income before extraordinary items	**2.47**	2.20
Net income	**2.47**	1.29

At January 31, 1973 and 1972, McCrory owned 2,558,815 shares of the outstanding common stock of Lerner Stores Corporation (60.0% and 58.6%, respectively) and all of the outstanding capital stock of S. Klein Department Stores, Inc. The aggregate cost of such investments exceeded equity (as recorded by the subsidiaries) in underlying net assets at dates of acquisition by $8,720,000 for Lerner and $11,907,148 for S. Klein. Such excess purchase costs have been recognized by the McCrory management to be similar in nature to intangibles which have not declined in value since acquisition. Accordingly, such excess purchase cost has not been amortized.

Rapid-American Corporation (Parent Company)

McCrory owned at January 31, 1973, 77,684 shares of Rapid-American Corporation common stock and 155,368 redeemable warrants to purchase Rapid common stock at $35 per share, expiring May 15, 1994. The common stock and warrants had an aggregate market quotation value of $1,971,232 at January 31, 1973.

Property and Equipment

	1973	1972
Furniture and fixtures and leasehold improvements	**$312,905,695**	$219,678,203
Store properties, warehouses and leased facilities	**25,393,250**	16,783,460
	$338,298,945	$236,461,663

Long-Term Receivable

McCrory is to receive 81 quarterly installments of $62,500 and, commencing October 31, 1973, 20 annual installments of $343,000 in payment of the long-term receivable aggregating $11,922,500, which was discounted at an interest rate of 5% per annum.

Long-Term Debt

The aggregate of long-term debt (see accompanying schedule) maturing during the five years ending January 31, 1978 is approximately as follows: 1974, $2,003,000 (included in current liabilities); 1975, $23,957,000; 1976, $3,173,000; 1977, $17,126,000; and 1978, $2,721,000. The year 1975 includes $20,300,000 of notes payable to banks under the Revolving Credit Agreement.

Agreements covering certain indebtedness of McCrory contain covenants concerning working capital, additional indebtedness, limitations on the declaration and payment of dividends, restrictions on transactions in capital stock, etc. At January 31, 1973, approximately $45,000,000 of retained earnings was free of such restrictions.

Income Taxes

For Federal income tax purposes guideline methods of computing depreciation and the installment method of reporting certain sales have been used. The use of these methods has resulted in tax deferments which have been charged against income and credited to deferred income taxes, of which the portion relating to installment sales has been included in current liabilities.

Investment tax credits of $784,000 and $526,000 in the years ended January 31, 1973 and 1972, respectively, were applied as reductions of the current tax provisions.

Certain Canadian subsidiaries have net operating loss carry forwards approximating $2,100,000 which expire in the year ending January 31, 1976. The tax benefits of such loss carry forwards will be recognized when and if realized.

No provision is made for taxes which would be payable if undistributed earnings of a subsidiary ($35,501,000 in 1973 and $25,060,000 in 1972) were paid as dividends to McCrory inasmuch as such earnings have been invested in the subsidiary's business and are not currently available for dividend payments.

Reserve for Store Closing Programs

This reserve represents estimated losses, including payments under existing leases (less estimated subrentals), as determined by Newberry prior to the date of acquisition, in connection with its program to close certain unprofitable stores. Such losses applicable to closed stores are charged against the reserve as incurred.

Pension Plans

McCrory and its subsidiaries have several pension plans, one of which is contributory, covering certain of their employees. For the years ended January 31, 1973 and 1972 pension costs amounted to $1,632,000 and $697,000, respectively. Unfunded past service costs amounted to approximately $5,763,000 at January 31, 1973.

Notes to Consolidated Financial Statements *Continued*

Preferred and Preference Stock and Common Stock Purchase Warrants

At January 31, 1973, 157,439 shares of $100 par value preferred and preference stock were outstanding (aggregate par value $15,743,900; aggregate redemption amount $17,170,611), as follows:

Class of Stock	Shares Authorized	Shares Outstanding	Redemption Price	Conversion Rate	Common Shares Reserved
$3^1/_2$% preferred	1,459	1,459	$104	5 for 1	7,295
$6 preference	94,725	94,725	115	$^3/_{14}$ for 1	20,298
$5^1/_2$% preference B	1,824	1,292	100	—	—
$4^1/_2$% preference B	60,201	59,963	100	—	—
		157,439			27,593

At January 31, 1973 there were outstanding warrants (expiring March 15, 1976) to purchase 201,111 McCrory common shares at $20 per share; warrants (expiring March 15, 1981) to purchase 1,946,842 McCrory common shares at $20 per share through March 15, 1976, and thereafter at $22.50 per share; and warrants (expiring October 1, 1981) to purchase 122,824 McCrory common shares at $65.64 per share.

Stock Option and Stock Bonus Plans

The following summarizes the common stock option activity for the year ended January 31, 1973:

	1961 Plan	1964 Plan	1967 Plan
Option price range	$18.05	$18.50	$16.50-32.625
		Shares	
Outstanding February 1, 1972	500	5,865	63,897
Transactions during the year:			
Exercised	(500)	(3,850)	(26,981)
Cancelled	—	(2,015)	(16,391)
Outstanding January 31, 1973	—	—	20,525
Additional shares available for granting of options at January 31, 1973	—	167,885	93,229

At January 31, 1973, 56,940 McCrory shares were available for allocation under stock bonus plans. The excess of market value of such shares on the date of allocation over the par value thereof is being charged to income ratably over periods not exceeding eight years from date of issuance.

Earnings Per Share of Common Stock

Primary earnings per share is based on the weighted average number of common shares outstanding during each year. Fully diluted earnings per share has been computed assuming conversion of all convertible securities when the effect would be dilutive. This calculation also assumes the issuance of additional common shares on exercise of stock options and warrants with a portion of the proceeds used to acquire treasury shares and the balance used to reduce outstanding debt.

Commitments and Contingencies

There are claims pending against McCrory and subsidiaries, together with other contingencies. Management and counsel are of the opinion that the ultimate liability, if any, will not materially affect the business or the consolidated financial position of McCrory and its subsidiaries.

At January 31, 1973 the minimum annual rentals on property leased to McCrory and its subsidiaries under leases expiring after January 1976 amount to approximately $66,537,000 plus, in certain instances, real estate taxes, insurance, etc.

Subsequent Events

See letter of Chairman of the Board regarding agreement to merge with Lerner and intention to make tender offer for outstanding warrants.

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

To the Board of Directors and Stockholders of McCrory Corporation:

We have examined the consolidated balance sheet of McCrory Corporation and subsidiary companies as of January 31, 1973 and 1972 and the related statements of income, stockholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Lerner Stores Corporation (a consolidated subsidiary) and its subsidiaries, which statements reflect total assets constituting 28% and 38%, respectively, of consolidated total assets at January 31, 1973 and 1972, and revenues constituting 35% and 41%, respectively, of consolidated revenues for the years then ended. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Lerner Stores Corporation and its subsidiaries, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors, such consolidated financial statements of McCrory Corporation present fairly the financial position of McCrory Corporation and subsidiary companies at January 31, 1973 and 1972 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Haskins & Sells

March 20, 1973

(April 11, 1973 as to Subsequent Events note)

Officers

SAMUEL NEAMAN
Chairman of the Board

STANLEY H. KUNSBERG
President & Treasurer

JULIUS SANDITEN
Executive Vice President

HARRY H. WACHTEL
Executive Vice President

NORMAN M. MALLOR
Financial Vice President

STANLEY B. BERNSTEIN
Vice President—Administration

WALTER C. STRAUS
Senior Vice President

CHARLES GASS
Vice President

IRWIN MAYER
Vice President & Controller

ELY G. SANDITEN
Vice President

SEYMOUR GREENE
Secretary

Directors

ISIDORE A. BECKER
PATRICK J. CLIFFORD
BERNARD KOBROVSKY
*STANLEY H. KUNSBERG
HAROLD M. LANE, SR.
*HAROLD M. LANE, JR.
LEONARD C. LANE
SAMUEL J. LEVY
*SAMUEL NEAMAN
*FRANK M. PATCHEN
*BERT R. PRALL
MESHULAM RIKLIS
*JULIUS SANDITEN
*LEONARD SPANGENBERG
JEROME D. TWOMEY
HARRY H. WACHTEL
J. S. WEINSTEIN

*Member of Executive Committee

COMMITTEE CHAIRMEN

LEONARD SPANGENBERG
Executive Committee

BERNARD KOBROVSKY
Salary and Compensation Committee and Audit Committee

STANLEY H. KUNSBERG
Stock Option Committee and Management Stock Bonus Committee

AUDITORS Haskins & Sells, New York, N.Y.

GENERAL COUNSEL Rubin Wachtel Baum & Levin, New York, N.Y.

PUBLIC RELATIONS Rubenstein, Wolfson & Co., New York, N.Y.

TRANSFER AGENTS

Common Stock, $5\frac{1}{2}\%$ Preference B. Stock, $4\frac{1}{2}\%$ Preference B Stock
Chemical Bank, Stockholder Relations Department
Box 5072, Church St. Station, New York, N.Y. 10049 and
First National Bank of Chicago, Stock Transfer Division
1 First National Plaza, Chicago, Ill. 60670

$3\frac{1}{2}\%$ Preferred Stock, \$6 Preference Stock
Morgan Guaranty Trust Company of New York, Stockholder
Relations Department, 30 West Broadway, New York, N.Y. 10015
and First National Bank of Chicago, Stock Transfer Division,
1 First National Plaza, Chicago, Ill. 60670

REGISTRARS

Common Stock, $5\frac{1}{2}\%$ Preference B Stock
Morgan Guaranty Trust Company of New York, Stockholder
Relations Department, 30 West Broadway, New York, N.Y. 10015
and Continental Illinois National Bank & Trust Co. of Chicago,
Stock Registration Department, 200 West Jackson St.,
Chicago, Ill. 60690

$4\frac{1}{2}\%$ Preference B Stock
The Chase Manhattan Bank, N.A., Transfer Administration,
1 New York Plaza, New York, N.Y. 10015 and
Continental Illinois National Bank & Trust Co. of Chicago,
Stock Registration Department, 200 West Jackson St.,
Chicago, Ill. 60690

$3\frac{1}{2}\%$ Preferred Stock, \$6 Preference Stock
Chemical Bank, Stockholder Relations Department,
Box 5072, Church St. Station, New York, N.Y. 10049 and
Continental Illinois National Bank & Trust Co. of Chicago,
Stock Registration Department, 200 West Jackson St.,
Chicago, Ill. 60690

EXECUTIVE OFFICES 360 Park Avenue South, New York, N.Y. 10010

McCrory Corporation

McCrory Corporation

IcCrory Corporation is a broadly based etailing organization with nearly 2,300 stores hroughout the United States and Canada. Principal operating divisions of the McCrory amily are:

Variety Store Division—G. McNEW. consisting f McCrory, McLellan, H. L. Green and J. J. Newberry stores. one of the largest and most nodern variety store groups in the world with ,069 stores in 46 states and Washington, D.C.

Department Store Division—S. Klein with 19 ull-line, promotional department stores elling fashion and staple items in the New York—Philadelphia—Washington metro-politan areas. and Britts with 37 department tores featuring brand name merchandise and ersonal service, located principally in the astern and southeastern states.

Automotive and Home Accessories Division—OTASCO stores. retailing automotive parts nd accessories, outdoor, home and recrea-tional merchandise, with 567 outlets.

Apparel Specialty Division—Lerner Shops. the argest chain specializing in fashion apparel. vith 428 stores in 39 states, Washington, D.C. nd Puerto Rico.

Canadian Division—Comprised of 148 stores, ncluding United stores, Britts department tores, Harrison's fabric shops, Columbia eneral stores and Gault Brothers, a manufac-turer of sportswear under the Caribou label.

McCrory Corporation

McCrory Corporation is a broadly based retailing organization with nearly 2,300 stores throughout the United States and Canada. Principal operating divisions of the McCrory family are:

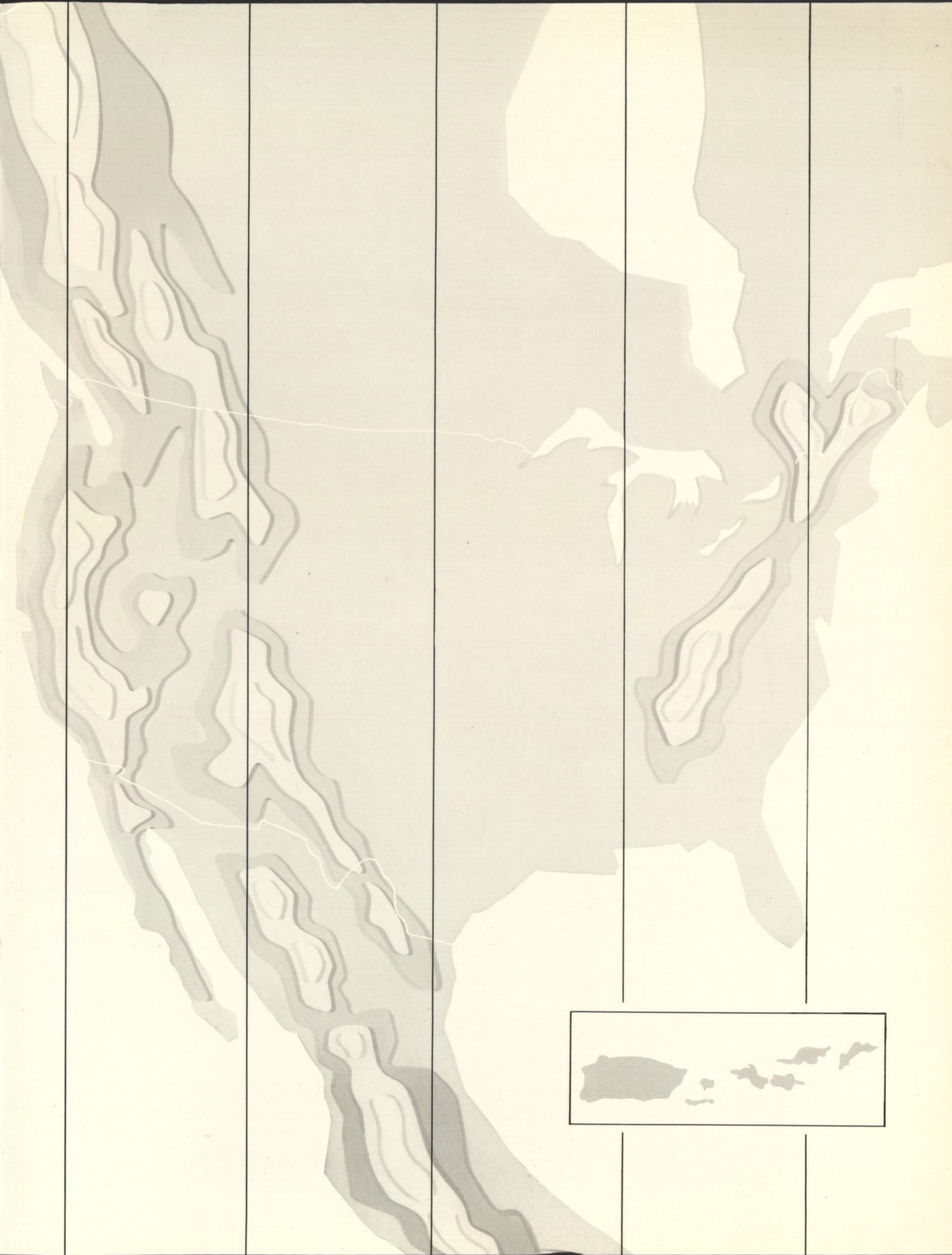
Variety Store Division—G. McNEW. consisting of McCrory, McLellan, H. L. Green and J. J. Newberry stores. one of the largest and most modern variety store groups in the world with 1,069 stores in 46 states and Washington, D.C.

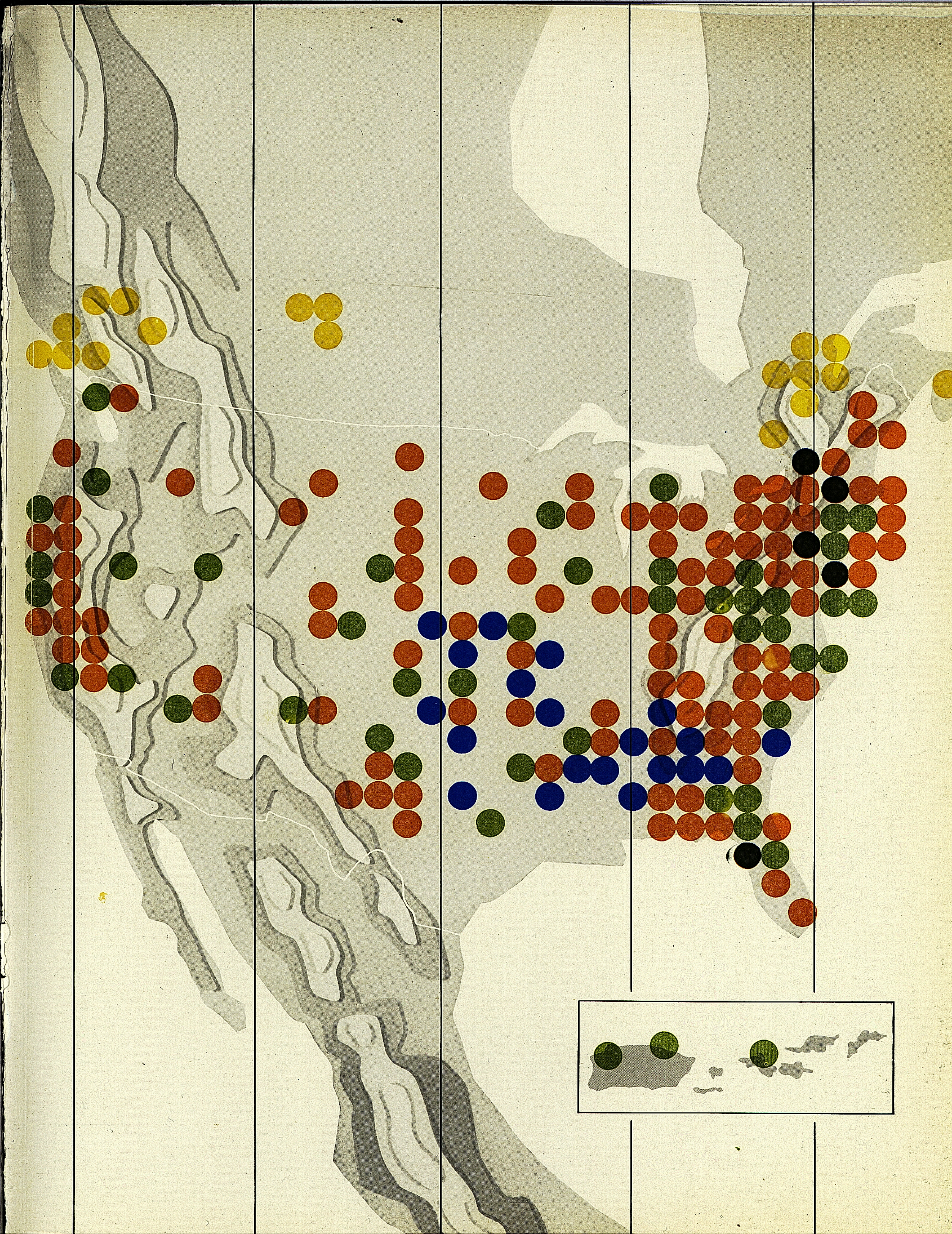
Department Store Division—S. Klein with 19 full-line, promotional department stores selling fashion and staple items in the New York—Philadelphia—Washington metropolitan areas. and Britts with 37 department stores featuring brand name merchandise and personal service, located principally in the eastern and southeastern states.

Automotive and Home Accessories Division—OTASCO stores. retailing automotive parts and accessories, outdoor, home and recreational merchandise, with 567 outlets.

Apparel Specialty Division—Lerner Shops. the largest chain specializing in fashion apparel. with 428 stores in 39 states, Washington, D.C. and Puerto Rico.

Canadian Division—Comprised of 148 stores. including United stores, Britts department stores, Harrison's fabric shops, Columbia general stores and Gault Brothers, a manufacturer of sportswear under the Caribou label.





McCrory Corporation

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